

Message Text

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ACTION ARA-20

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TO SECSTATE WASHDC 5566
INFO AMEMBASSY LIMA

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LIMA FOR REGIONAL INTEGRATION OFFICER

E.O. 11652: N/A

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SUBJECT: VENEZUELAN APPLICATION OF DECISION 24

1. ON AUGUST 21, SUPERINTENDENT OF FOREIGN INVESTMENT SOTO ALVAREZ ANNOUNCED THREE RESOLUTIONS TO BE FORTHCOMING WHICH WILL SHED SOME LIGHT ON VENEZUELA'S HANDLING OF FOREIGN INVESTMENT UNDER DECISION 24 OF THE CARTAGENA AGREEMENT. HE CONFIRMED THAT IT IS VENEZUELA'S INTENTION TO ADAPT THE STIPULATIONS OF THE DECISION TO ECONOMIC REALITIES PREVAILING.

2. THE FIRST RESOLUTION WILL ELIMINATE REGISTRATION REQUIREMENTS FOR CERTAIN TYPES OF SECURITIES; PUBLIC DEBT, MORTGAGE BONDS, FINANCE COMPANY BONDS, TIME DEPOSIT CERTIFICATES, COMMERCIAL BONDS AND BONDS ISSUED BY THE ANDEAN DEVELOPMENT CORPORATION. THE GOAL OF THIS MEASURE IS TO STIMULATE CAPITAL MARKETS AND CERTAIN INDUSTRIES RELYING ON THE BOND MARKET FOR FINANCING RESOURCES.

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3. THE SECOND RESOLUTION WILL AUTHORIZE THE TRANSFER OF

SHARES, PARTICIPATIONS AND RIGHTS AMONG EXISTING FOREIGN COMPANIES WHICH HAVE PARTICIPATION IN OTHER FOREIGN COMPANIES. ALSO TO BE AUTHORIZED ARE INCREASES OF CAPITAL IN EXISTING FOREIGN, NATIONAL AND MIXED COMPANIES AS LONG AS THEY SHOW NO DECREASE IN THEPERCENTAGE OF NATIONAL PARTICIPATION. SUCH OPERATIONS MUST, HOWEVER, BE REGISTERED SUBSEQUENTLY WITH THE SUPERINTENDENCY.

4. THE THIRD RESOLUTION WILL AUTHORIZE THE REINVESTMENT OF ALL THE EARNINGS OF COMPANIESWILLING TO INSTALL OR MOVE THEIR OPERATIONS TO THE INTERIOR OF THE COUNTRY. IN OTHER CASES, REINVESTMENTS ARE LIMITED TO 5 PERCENT. THE AUTHORIZATION WILL BE VALID FOR FIVE YEARS FROM THE DATE THE RESOLUTION WILL BEPUBLISHED. THIS RESOLUTION IS IN SUPPORT OF THE GOVERNMENT'S PLANS TO DECENTRALIZE INDUSTRY BY PROMOTING ITS ESTABLISHMENT IN LESS DEVELOPED AREAS OF THE COUNTRY.

5. THE THREE RESOLUTIONS WERE ANNOUNCED DURING A MAJOR SPEACH BY SOTO AT THE AMERICAN CHAMBER OF COMMERCE LUNCHEON ATTENDED BY RECORD NUMBER OF MEMBERS AND GUESTS. THEME OF SOTO'S REMARKS WAS GOV DESIRE TO FOLLOW "OPEN DOOR POLICY" TO FOREIGN INVESTMENT, BUT A POLICY WHICH WOULD ASSURE THAT SUCH INVESTMENT ASSUMES RESPONSIBILITY FOR VENEZUELA'S DEVELOPMENT AND SOCIAL WELFARE.

6. DURING THE QUESTION PERIOD AFTER HIS SPEECH, SOTO ALVAREZ GAVE THE FOLLOWING CLARIFICATIONS; PAYMENT FOR ROYALTIES FROM SUBSIDIARY TO PARENT COMPANIES WILL BE PROHIBITED; GREATER CLARIFICATION WILL BE REQUIRED REGARDING THE INTERNAL MARKETING OF GOODS AND SERVICES.

7. TEXTS OF THE RESOLUTIONSAND FURTHER COMMENTS WILL BE SUBMITTED WHEN THE RESOLUTIONS ARE PUBLISHED OFFICIALLY.
FISHER

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